

## Message Text

CONFIDENTIAL

PAGE 01 TEL AV 07186 121458Z

43

ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-05 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 PM-03 NSC-05 SS-15

DODE-00 PA-01 USIA-06 PRS-01 SAM-01 SAB-01 IO-10 /087 W

----- 039983

R 121343Z DEC 74

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 4901

C O N F I D E N T I A L TEL AVIV 7186

E. O. 11652: GDS

TAGS: ELAB, IS

SUBJ: ISRAEL CONCERNED OVER UNEMPLOYMENT PROSPECTS

1. SUMMARY. FOR FIRST TIME IN PAST FOUR-FIVE YEARS, THERE IS CONCERN IN ISRAEL ABOUT PROSPECTS OF UNEMPLOYMENT. CONSIDERABLE UNCERTAINTY CHARACTERIZES DISCUSSION ON SUBJECT. HOWEVER, THERE IS CONCERN THAT RECENT EMERGENCY ECONOMIC MEASURES AND WORLD ECONOMIC SITUATION MAY INDUCE LEVEL OF UNEMPLOYMENT WHICH WOULD THREATEN SUCCESS OF GOVERNMENT'S ECONOMIC GOALS, CAUSE POLITICAL UNREST INTERNALLY AND IN OCCUPIED TERRITORIES, AND AGGRAVATE DIFFICULTIES IN ABSORPTION OF IMMIGRANTS. NEXT FEW MONTHS SHOULD PROVIDE CLEARER PICTURE OF MAGNITUDE OF UNEMPLOYMENT PROSPECTS AND EXTENT OF PROBLEMS IT MAY POSE. END SUMMARY.

2. PROSPECTS OF UNEMPLOYMENT HAVE RECEIVED SUBSTANTIAL ATTENTION AMONG GOVERNMENT OFFICIALS, LABOR LEADERS AND EMPLOYERS DURING PAST FEW WEEKS. AFTER FOUR-FIVE YEARS OF FULL EMPLOYMENT, DURING WHICH TIME LABOR SHORTAGES WER OBSTACLES TO STABLE ECONOMIC GROWTH, ISRAEL IS NOW WORRIED THAT UNEMPLOYMENT WILL DEVELOP IN 1975.

3. CONCERN OVER UNEMPLOYMENT LARGELY BEGAN IN WAKE OF PROMU-  
GATION OF EMERGENCY ECONOMIC PROGRAM NOVEMBER 10, 1974. FINANCE  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TEL AV 07186 121458Z

MINISTER WARNED OF EIGHT-NINE PERCENT UNEMPLOYMENT BY MID-1975

IF HISTADRUT DID NOT AGREE TO GENERAL WAGE RESTRAINT POLICY, INCLUDING REDUCED COST-OF-LIVING ALLOWANCES (COLA). PRIVATE SECTOR EMPLOYERS ALSO HAVE WARNED THAT INCREASED COLA AND WAGE PAYMENTS WILL LEAD TO LAYOFFS, PARTICULARLY AS SUCH INCREASES WILL FURTHER ERODE ISREAL'S COMPETITIVENESS IN INTERNATIONAL TRADE. HISTADRUT, NOTING CURRENT TRENDS TOWARD INCREASED UNEMPLOYMENT, HAS CALLED ON GOVERNMENT TO FORMULATE MEASURES TO MAINTAIN FULL EMPLOYMENT. SOME LABOR OFFICIALS PRIVATELY PREDICT POSSIBILITY OF AROUND FIVE PERCENT UNEMPLOYMENT RATE BY MID-YEAR.

4. ISRAEL CURRENTLY CONTINUES TO ENJOY FULL EMPLOYMENT. NATIONAL UNEMPLOYMENT RATE IN FIRST HALF OF 1974 WAS AROUND THREE PERCENT OF LABOR FORCE, REPRESENTING SLIGH INCREASE OVER 1973 AVERAGE OF ABOUT 2.5 PERCENT. LAYOFFS REPORTED IN PAST MONTH OR TWO HAVE BEEN CAUSED MORE BY WEAKENING OF INTERNATIONAL MARKETS IN TEXTILES, DIAMONDS, BUILDING MATERIALS, ETC, RATHER THAN DIRECT IMPACT OF EMERGENCY ECONOMIC MEASURES. DESPITE THESE LAYOFFS, SOME INDUSTRIAL SECTORS STILL HAVE LABOR SHORTAGES. LABOR MINISTRY EMPLOYMENT EXCHANGE REPORTS SOME 8,500 UNFILLED VACANCIES IN NOVEMBER. BETTER PICTURE OF EMPLOYMENT SITUATION WILL BE AVAILABLE IN EARLY 1975, WHEN FOURTH QUARTER EMPLOYMENT/ UNEMPLOYMENT ESTIMATES AND LABOR EXCHANGE DATA FOR DECEMBER ARE AVAILABLE.

5. IN MEANTIME LABOR MAINISTRY HAS ESTABLISHED SPECIAL GROUP IN COORDINATION WITH HISTADRUT AND EMPLOYER ORGANIZATIONS TO MONITOR EMPLOYMENT SITUATION AND DEVELOP SPECIAL PROGARMS TO ALLEVIATE UNEMPLOYMENT. PROBLEM OF UNEMPLOYMENT OF ARAB WORKERS FROM OCCUPIED TERRITORIES IS ALSO UNDER REVIEW IN LABOR MINISTRY.

6. MAJOR FEATURE OF DISCUSSION ON UNEMPLOYMENT PROSPECTS IS ITS UNCERTAINTY. TO SOME EXTENT, UNEMPLOYMENT TALK MAY BE SCARE TACTIC BY GOVERNMENT, EMPLOYERS AND HISTADRUT TO JUSTIFY POSITIONS ON WAGE AND COLA POLICY. WHILE PROBABLE EXTENT OF UNEMPLOYMENT IS DIFFICUALT TO ANTICIPATE AT THIS STAGE, VARIOUS FACTORS SUGGEST SERIOUSNESS OF PROBLEM. SLASH IN PUBLIC SECTOR BUDGETS IS CERTAIN TO INHIBIT HIRING NEW EMPLOYEES OR REPLACING RESIGNATIONS OR RETIREMENTS. RISING PRICES OF  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 TEL AV 07186 121458Z

CONSUMER GOODS AND SERVICES PLUS GOVERNMENT EFFORTS TO CUT DISPOSABLE INCOME SHOULD REDUCE LOCAL DEMAND, WITH CONSEQUENT ADVERSE EFFECT ON EMPLOYMENT. WEAKENING OF WORLD MARKETS FOR ISRAELI GOOD MAY HAMPER ISRAELI EFFORTS TO EXPAND EXPORTS AND TO SHIFT EMPLOYMENT TO EXPORT INDUSTRIES. INDUSTRIALISTS ALREADY ARE COMPLAINING THAT BENEFITS OF DEVALUATION WILL SONN BE LARGELY ERODED BY INCREASED LABOR AND MATERIAL COSTS,THUS OFFSETTING COMPETITIVE ADANTAGES INTENDED BY DEVALUATION.

7. ALTHOUGH MINISTER OF COMMERCE AND INDUSTRY BAR-LEV SOME OPTIMISTIC VIEW IN INTERVIEW IN DAVAR, DECEMBER 11. HE NOTED THREE FACTORS WHICH MIGHT ALLEVIATE UNEMPLOYMENT PROSPECTS: (A) CURRENT SHORTAGE OF WORKERS IN CHEMICALS, ELECTRONICS, AND DEFENSE INDUSTRIES; (B) SOME IL 5 BILLION WORTH OF DEFENSE ORDERS TO BE CONTRACTED WITH LOCAL INDUSTRIES; AND (C) BACKLOG OF PUBLIC CONSTRUCTION WITH LOCAL INDUSTRIES; AND (C) BACKLOG OF PUBLIC CONSTRUCTION NEEDS. PROBLEM OF RE-TRAINING AND SEVERE IMMOBILITY OF LABOR IN ISRAEL ARE WEAK LINKS IN EFFECTING TRANSFER OF WORKERS TO LABOR SHORTAGE SECTORS.

8. ANY SUBSTANTIAL INCREASE IN UNEMPLOYMENT WOULD, OF COURSE, HAVE ADVERSE ECONOMIC AND POLITICAL EFFECTS. EXPECTED SHARP REACTION OF POLITICAL PARTIES AND TRADE UNIONS TO ANY INCREASED UNEMPLOYMENT WOULD COMPEL GOVERNMENT TO ADOPT MEASURES TO ALLEVIATE UNEMPLOYMENT AT EXPENSE OF GOALS OF NEW EMERGENCY ECONOMIC PROGRAM. REDUCTION IN NUMBER OF ARAB WORKERS EMPLOYED IN ISRAEL, WITH LOSS OF ECONOMIC BENEFITS DERIVED FROM CURRENT WEST BANK/GAZA RELATIONSHIP WITH ISRAEL, LIKELY TO EXACERBATE ANTI-ISRAEL SENTIMENT IN OCCUPIED TERRITORIES AND ENCOURAGE FURTHER PLO SUPPORT. PROBLEM OF EMPLOYMENT FOR SOVIET IMMIGRANTS, ALREADY DIFFICULT FOR PROFESSIONAL WORKERS, WOULD BE AGGRAVATED, AND THREATEN ISRAELI GOAL OF INCREASED IMMIGRATION FROM SOVIET UNION AS WELL AS OTHER COUNTRIES.  
DOZIER

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** UNEMPLOYMENT, ECONOMIC CONDITIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 12 DEC 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** boyleja  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974TELAV07186  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D740361-0381  
**From:** TEL AVIV  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19741239/aaaabgyv.tel  
**Line Count:** 143  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION NEA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** boyleja  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 20 AUG 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <20 AUG 2002 by WorrelSW>; APPROVED <18 MAR 2003 by boyleja>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ISRAEL CONCERNED OVER UNEMPLOYMENT PROSPECTS  
**TAGS:** ELAB, IS  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005